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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 1/07/09

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Articles:

1) Aso, Lee to agree on joint assistance to Afghanistan reconstruction with eye on next U.S. administration

NIKKEI (Page 2) (Abridged slightly)
January 7, 2009

In their meeting on Jan. 12, Prime Minister Taro Aso and South Korean President Lee Myung Bak are expected to reach an agreement on reconstruction assistance to Afghanistan that envisages joint projects involving the Japan International Cooperation Agency (JICA) and the Korea International Cooperation Agency (KOICA). The prevailing plan is to jointly cover the costs in the medical and educational fields, such as building schools and hospitals, by their official development assistance (ODA) budgets. The two countries will explore ways for cooperation in humanitarian contribution, as well.

There is almost no precedent for Japan and South Korea to cooperate on aid diplomacy. It is likely that the administration under President Barack Obama to be launched later this month will place high priority on Afghanistan. For that reason, Japan and South Korea intend to demonstrate their eagerness to contribute to the reconstruction of that country.

Owing to their respective domestic circumstances, Japan and the Republic of Korea find it difficult to provide bold reconstruction support. The two countries for the time being will have to center their assistance on technological and financial assistance through aid organizations. With the Diet divided into two camps, Japan has

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yet to pave the way for the dispatch of the Self-Defense Forces to Afghanistan since such would require new legislation.

South Korean troops were once dispatched to Afghanistan for reconstruction assistance. But the country withdrew from Afghanistan after a hostage incident involving a Korean. It seems politically difficult for South Korea to send its troops back to Afghanistan, where security is deteriorating.

2) DPJ's idea for bringing peace to Afghanistan

ASAHI (Page 4) (Full)
January 7, 2009

Tadashi Inuzuka, senior vice foreign minister of the Democratic Party of Japan's (DPJ) "Next Cabinet," revealed yesterday at a press conference that the DPJ would host dialogue between the leaders of Afghanistan and Pakistan in Tokyo. During his recent trip to the two countries, Inuzuka reportedly proposed this dialogue to the governments of the two countries on the condition that the DPJ would assume the reins of government.

The DPJ's aim is to improve environments in Afghanistan in cooperation with Pakistan, in order to bring about an agreement to end conflict as a condition for Japan to dispatch its Self-Defense Forces.

3) Government to present to current Diet session bill on dispatching MSDF to waters off Somalia for anti-piracy mission

YOMIURI (Top play) (Excerpts)
January 7, 2009

The government plans to submit to the current Diet session a bill, tentatively called the Piracy Punishment Enforcement Law, in order to respond to the harm being caused by pirates operating in the waters off Somalia and other locations. Under existing law, it is not clear that the act of piracy is a crime, but the new law would make such a crime. It would give the Japan Coast Guard (JCG) and Maritime Self-Defense Force (MSDF) authority to crack down on the pirates, and when the incidents are more than the JCG can handle, the MSDF would handle it. The law would allow protection of commercial ships other than Japanese flag carriers, and consideration is being given to allowing firing of weapons at pirate

vessels in carrying out duties. The Liberal Democratic Party (LDP) and New Komeito are now coordinating on the bill for presentation to the regular Diet session by March. The aim is have the bill passed this session.

The new law is expected to have approximately six articles. In accordance with the United Nations Law of the Sea, acts of piracy are defined under the provisions as "illegal, violent acts, and acts of internment and plundering." The JCG and MSDF will enforce the law.

4) Need for anti-piracy legislation widely recognized in ruling and opposition blocs; DPJ may come under pressure to concur

YOMIURI (Page 2) (Abridged slightly)
January 7, 2009

The government plans to submit to the current Diet session what is

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tentatively called a bill on piracy punishment and control. Although the legislation contains many challenges that must be finalized by the Liberal Democratic Party and the New Komeito, the need for the law is widely recognized in both the ruling and opposition camps in view of international calls. The Aso cabinet might be able to use it to apply pressure on the move in the ruling bloc to rebel against the budget-related bills, as well as on the major opposition Democratic Party of Japan.

Although the New Komeito is circumspect about the overseas dispatch of the Self-Defense Forces, the party agrees that a new anti-piracy law is necessary. In yesterday's government-ruling coalition liaison meeting, New Komeito Policy Research Council Chairman Yamaguchi made this comment regarding anti-piracy: "Establishing a new law is the job of the legislature and the government and the ruling parties."

The LDP and the New Komeito are ready to decide today to establish a project team on measures against piracy in waters off Somalia, Africa. They are eying a general law not restricted to piracy off Somalia.

If the bill is presented to the current Diet session after things are worked out in the ruling bloc, the most crucial phase is expected to come after the fiscal 2009 budget clears the Diet. In the event the fiscal 2009 budget-related bills are slipped to April or later due to prolonged deliberations in the Upper House, deliberations on the anti-piracy legislation might coincide with a major face-off between the ruling and opposition parties. The anti-piracy legislation might make it difficult for anti-Aso forces to work closely with the DPJ regarding the budget-related bills.

Forces in the DPJ calling for anti-piracy measures would be caught between their party's policy and the government/ruling bloc's policy to put up do-or-die resistance. Still, the legislation contains many challenges to overcome, such what to about weapons use.

5) Government to engage in DDR in Sudan as first case in Africa

NIKKEI (Page 2) (Excerpts)
January 7, 2009

The government will begin providing assistance for the social rehabilitation of former soldiers in war-torn areas in Africa. As a first step, the government will contribute about 15 million dollars, or 1.4 billion yen, to Sudan later this month. The framework will be expanded gradually to include Liberia, Burundi and other areas. As a country holding a nonpermanent seat on the UN Security Council starting this year, Japan intends to play up its eagerness to become actively involved in African issues and to make international contributions.

Disarmament, demobilization and reintegration projects are called the DDR for short. Japan has implemented such a project in Afghanistan since 2003. Japan's support for Africa has been centered on the improvement of infrastructure and agricultural assistance. This is going to be Japan's first DDR in Africa.

Japan will contribute funds to Sudan via the UN Development Program (UNDP) to set up job-search offices to provide vocational training and offer jobs and counseling. The project is led by the UN Mission in Sudan (UNMIS) that is carrying out activities in the country's southern part.

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6) Fierce battle starts between ruling and opposition camps over employment issues at Lower House; Aso reiterates previous position

MAINICHI (Page 2) (Full)
January 7, 2009

Each party's representative interpellations started yesterday at the House of Representatives regarding the government-presented second supplementary budget for fiscal 2008. From the outset of the session, both the ruling and opposition parties geared up to go on the offensive in criticizing each other over such issues as the firing of non-permanent workers and the flat-sum cash-payout plan. Although Prime Minister Aso Taro said with a confidence that his administration and the ruling coalition would be able to swiftly implement effective economic measures and steps to improve the livelihoods of the people, he just reiterated his previous explanations in replying to questions by party representatives.

Representatives from the opposition parties first questioned the employment issue, criticizing the government and ruling parties. Yukio Hatoyama, secretary general of the Democratic Party of Japan (DPJ), stressed: "The crisis in people's livelihoods is both a human disaster and a political disaster brought about by the Aso cabinet." Aso, however, rebutted: "We have come up with the largest-scale economic package in the world." As such, the debate did not go anywhere.

Kensho Sasaki of the Japanese Communist Party (JCP) asserted:

"The fundamental cause for bringing about the serious situation is the labor law that allows companies to fire non-permanent workers. The Labor Dispatch Law should be revised to one that was amended in 1999 (when the law allowed manpower agencies to dispatch workers only to special areas of occupations)."

Aso, however, took a negative position toward Sasaki's assertion, saying:

"If the register-type worker dispatch system is banned, it will create disadvantage for workers instead. It is not appropriate to return the law to the one was amended in 1999 to make the labor market free in principle."

Aso then said that the government would deal with matters by applying its bill amending the law to ban the labor dispatch of 30 days or less.

Under the government-drafted revision bill, there is no change in the occupations that would be allowed labor dispatch. Therefore, the government bill and a ban to dispatch workers to manufacturers, which the JCP, Social Democratic Party (SDP) and People's New Party (PNP) have called for, are completely different. Hatoyama of the DPJ, in which there are lawmakers who are cautious about revising the law, pointed out: "The government's bill is completely mismatched." Liberal Democratic Party (LDP) Policy Research Council Chairman Kosuke Hori posed a question focusing on the creation of jobs, saying: "It is necessary to take every possible measure to erase employment uncertainty."

All opposition parties demanded that the flat-sum cash-payment program be scrapped. Hatoyama called it, "The ultimate stupid

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policy." "The program is tantamount to vote-buying for a future election using public funds," said Sasaki. Aso, however, reiterated

the same reply:

"I have no intention to cut it off (from the extra budget) because some people are saying that they are waiting for it. (The cash-benefit program) is an emergency measure to protect livelihoods and it will have an economic effect to increase consumption."

7) Cash benefits to high income earners as well

TOKYO SHIMBUN (Top Play) (Abridged Slightly)
January 7, 2009

Referring to the issue of limiting the income of recipients eligible for cash handouts totaling 2 trillion yen, Chief Cabinet Secretary Takeo Kawamura during a press conference on the afternoon of January 6 noted, "The economic situation has significantly changed. It is now believed that expansion of domestic demand would produce maximum effects for the economy. We must take this viewpoint." He then revealed the government's intention to urge the distribution of cash benefits to high income earners as well from the perspective of expanding domestic demand.

Prime minister leaves open option for his receiving cash handout

Concerning the possibility of his receiving cash benefits, Prime Minister Taro Aso told reporters at the Kantei on the evening of the same day: "I have not made up my mind yet. I would like to consider the matter (when the cash benefit bill secures Diet approval)."

The prime minister has so far taken the stand that it would be desirable for high income earners, including himself, to voluntarily decline such benefits, saying, "It is the matter of a person's dignity." Now that the government has switched its stance, the prime minister has also changed his response. Erratic struggles in the government and the ruling parties over the distributing of cash benefits have flared up again.

Liberal Democratic Party Secretary General Hiroyuki Hosoda during a meeting of the government-ruling party liaison council held on the morning of the same day pointed out, "Since cash benefits are an economic stimulus measure, lawmakers should receive and spend such, instead of declining." The prime minister also indicated understanding to lawmakers receiving such money, saying, "Cash handouts are significant in the sense of stimulating consumption. I want people to spend distributed benefits."

8) Pro- and anti-Aso groups hold study sessions

YOMIURI (Page 4) (Full)
January 7, 2008

In the ruling Liberal Democratic Party (LDP), two study groups -- one supporting Prime Minister Taro Aso and the other distancing themselves from Aso -- were formed yesterday. The two groups are led by junior and mid-level lawmakers. Some observers view that the two groups are preparing for a future political situation.

Six LDP members -- House of Representatives members: Kenichi Mizuno, Masahiko Shibayama, Koichi Yamauchi, Kenichiro Ueno and Hideki Makiyama and House of Councillors member Ichita Yamamoto -- held the

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first meeting of their group. Upper House member Kotaro Tamura, a group member, did not show up for the meeting.

The Aso administration stipulated in its mid-term program including the roadmap for the drastic tax system reform that the consumption tax would be increased in 2011. The group, however, criticized the government's plan, with Yamamoto saying: "There is possibility that the plan will undermine the effect of the economic stimulus package." The group confirmed that it will call on the government not to include a consumption tax hike in the party's manifesto for the next Lower House election but to stipulate a cut in the number of Diet members and timeframe for the administrative reform program.

The pro-Aso group headed by Lower House member Hiroshi Imazu held an inaugural meeting at party headquarters.

The meeting was attended by 54 Diet members, including Lower House members Keiji Furuya and Toshiaki Endo, and 36 lawmakers' proxies. The group decided to support Aso's policy of fiscally stimulating the economy and come up with an economic stimulus package to expand domestic demand. The group will present its proposals to the prime minister.

9) Prime Minister orders Japanese version of Green New Deal:
Investment into environment to create 800,000 jobs

SANKEI (Top Play) (Excerpts)
January 7, 2009

Prime Minister Taro Aso on January 6 met with Environment Minister Tetsuo Saito at the Kantei and ordered him to compile a Japanese version of the Green New Deal initiative designed to achieve a balance between measures to combat global warming greenhouse gases and economic stimulus measures, the idea which President-elect Obama advocates. Under the initiative, carbon emissions will be constrained with the promotion of investment into the development and dissemination of energy-saving technologies and products. Jobs will also be created through the promotion of environment-related industries. The government will expand the market size from the current 70 trillion yen to over 100 trillion yen over the next five years or so. It will compile a concrete plan by the end of March under the slogan of creating more than 800,000 jobs.

Environment Minister Saito has looked into the compilation of the Japanese version of the initiative. He presented a draft plan to the prime minister during the meeting. The prime minister ordered him to boldly expand the plan in cooperation with various government agencies so that people will find the initiative easy to understand.

Emerging from the meeting, Saito told reporters about the aim of the initiative: "Reform of society and economic stimulus measures will be implemented concurrently. Fiscal disbursements should be used to build an ideal society. I want to expand market scale in cooperation with various government agencies."

The draft plan includes the development and dissemination of energy-saving electronic appliances and next-generation vehicles, such as electric vehicles, and the promotion of intensive investment for the effective use of new energies, such as solar energy generation and wind force power generation.

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To be precise, the draft includes an interest-free loan system for investment into environment-related projects by companies and assistance for a car-sharing system and environmental activities by neighborhood shopping districts, such as giving eco-points to purchasers of energy-saving electronic appliances.

10) Government to inject public money into 40 regional banks, using revised Special Measures Law for Strengthening Financial Functions

MAINICHI (Top Play) (Excerpts)
January 7, 2009

The Financial Services Agency (FSA) on January 6 started making preparations for concurrently injecting public funds into more than 40 of 108 regional and second-tier regional banks at the end of the current fiscal year. This is a measure in response to a significant decline in their net worth due to increased bad loans caused by stock plunges and the economic downturn. The revised Special Measures Law for Strengthening Financial Functions (SMLSFF) that enables preventive injection of public funds into financial institutions will be used. The FSA intends to dispel financial uncertainties, by raising targeted banks' capital-asset ratios to about 8 PERCENT, double the minimum sound level of 4 PERCENT, and make the rise in such a ratio lead to the easing of credit crunches.

The injection of public funds will be the first in about two years and three months since 9 billion yen was injected into Howa Bank, a second-tier regional bank in Oita Prefecture, based on the former SMLSFF, in December 2006.

The old law, which became null and void at the end of March 2008, mandated financial institutions that applied for the injection of funds to clarify management responsibility and effectively sought corporate reorganization. As such, only two banks applied for the injection of public money with many avoiding excessive intervention into their management by the authorities. As such, the amended law, which was put into force on December 17 last year, gives top priority to addressing credit crunches, by modifying application barriers, such as that though applicants will be obligated to achieve a numerical target attached to loans extended to small- and medium-size companies, their management responsibility will not be questioned, in principle.

The FSA has determined that in order to prevent the financial system crisis from occurring and address credit crunches, too, it would be necessary to inject funds at an early date, using the revised law. Since late last year, it has individually approached regional banks and second-tier regional banks with low capital-asset ratios and urged them to apply for the injection of public money.

However, there is deep-rooted concern among regional banks that if they apply for the injection of such funds on their own, depositors would harbor concern about their management status. For this reason, the FSA set standards regarding capital-asset ratios in order to make regional and second-tier regional banks that fall under the set standards automatically apply for the injection of public money. It then decided to hurry coordination with the possibility of the concurrent injection of public money at the end of March.

SCHIEFFER